

# *Emerging Markets Centre of Excellence (EM CoE)*

Unlocking value in  
emerging markets

*EM CoE partners with  
clients to help them deliver  
on their business ambition  
in emerging markets,  
focused on India*



# Emerging markets are expected to drive global growth

Emerging markets are fast growing economies undergoing rapid change with an expanding middle class. These economies are expected to be global growth drivers contributing to 55% of the world GDP by 2020, a substantial rise from the 40% today.

By 2020, the combined GDP of emerging economies is projected to be around USD 20 trillion with a consumer base of 3 billion. India alone is expected to have a GDP of USD 3.5 trillion, with growth driven by a strong and sustainable middle class.

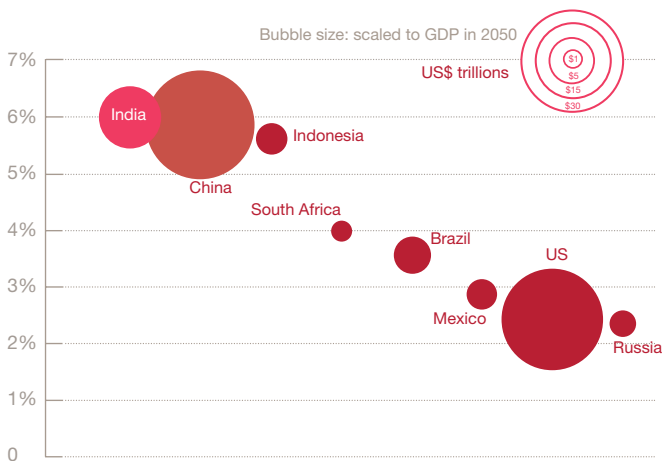
Multinationals are looking at emerging markets for the next wave of growth as momentum slows in developed markets. The recent wave of interest is in tapping the growth and consumer potential – a revenue proposition.

However, most companies are struggling with profitable growth and building capabilities in emerging markets like India. This requires an understanding of the value proposition, operating model, financial and human capital as well as the business environment to employ localised strategies.

Our Mumbai based Emerging Markets CoE is designed to help our clients deliver on their business ambitions in emerging markets like India.

## India will be the world's fastest growing large economy through 2050

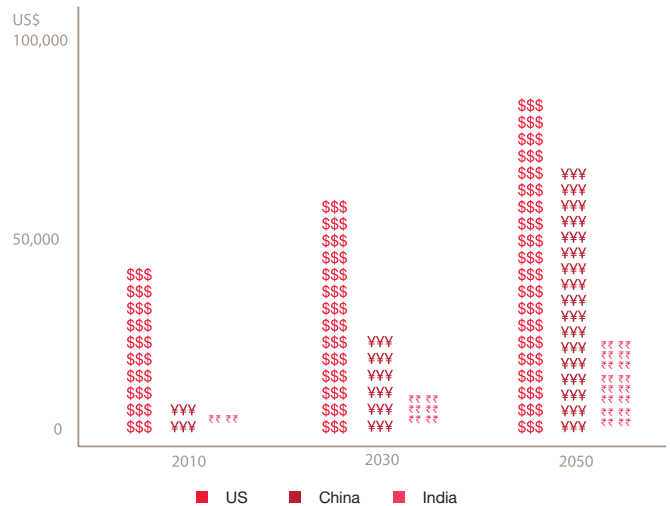
Gross domestic product (GDP) and compound annual growth rates of select world economies, 2010-2050



Source: PwC analysis on various historical and forecast sources, including Oxford Economics

## Per capita income in India will remain low, forcing companies to adopt innovative business practices

GDP per capita at purchasing power parity (PPP) exchange rates, US\$ in 2005 prices



Source: PwC analysis on various historical and forecast sources, including Oxford Economics





# We develop strategies that seek to transform and build capabilities for success in the market place

A number of companies are looking to enter growth markets like India, or are already operating there but struggling with profitable growth.

Companies looking to enter India need to understand its multi-layered market, operating challenges, talent context and evolving regulatory environment. Those who are already operating in India are often looking to accelerate growth but in a profitable manner.

## India's diverse and large consumer segments are driving purchases across categories

**700,000,000**

Rural consumers

Shampoo, toothpaste  
Some electronic products  
Food and beverages



Equivalent to almost half the size of the Chinese population (1.3 bn people)

**500,000,000**

Young consumers

Two-wheelers  
Mobile phones  
Apparel and accessories



Larger than the combined population of Brazil, Russia, Germany and the UK (484 mn)

**350,000,000\*\***

Middle-class consumers

Apparel  
Consumer electronics  
Personal care



More than the size of the US population (315.5 mn)

**126,700\***

US\$ millionaires

Luxury cars  
Luxury products  
Homes and apartments



Source: PwC analysis, first published in *Winning in India's Retail Sector*, 2011

\*Capgemini, Merrill Lynch Wealth Management

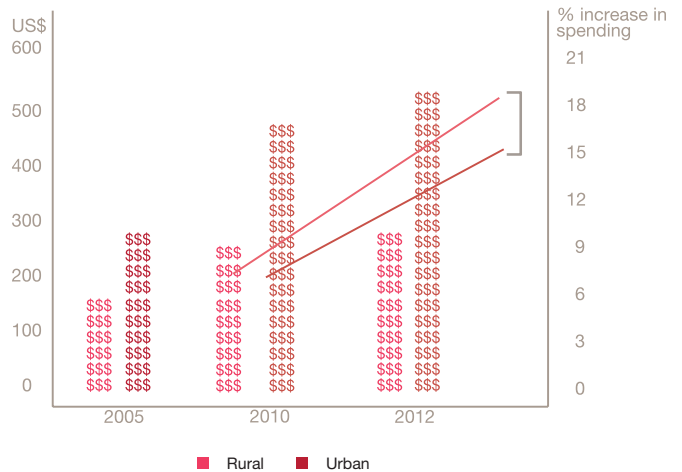
\*\*Income levels for middle-class consumers, according to the Indian National Council on Applied and Economic Research, range from INR140,000 to 780,000, which, using a conversion rate of USD 1 equivalent to INR45, is USD3,111 to 17,333

In considering their entry, growth or capability building approach, companies need to understand the multi-layered nature of the Indian market characterised by economic and cultural diversity. A significant opportunity exists in serving markets beyond the top economic segment such as rural and semi-urban markets. Consumers in these markets have specific tastes and preferences which requires a market participant to evaluate its offering differently.

We help companies develop profitable growth strategies and build necessary capabilities as they build their business in India.

## Rural Indians are now spending at a faster rate than urbanites

Annual consumption expenditure per capita- 2005, 2010, 2012- and rate of increase in spending, 2010-12



Source: Oxford Economics and CEIC 2012 data is a provisional estimate from the National Sample Survey Office



# Typical challenges faced by companies in emerging markets like India

01

The value proposition of consumers in emerging markets differs from their advanced economy peers. Companies have struggled in emerging markets by deploying traditional strategies.

The operating model is complex as unlike advanced economies, companies can't take for granted availability of infrastructure such as roads, cold chains, and a network of ancillary suppliers.

02

03

Financial capital in emerging markets is expensive and scarce compared to advanced economies. This results in additional strain on parent companies to extend funds from other locations.

Human capital can also be a challenge since companies find it difficult to get the right talent for leadership positions. Awareness of the cultural nuances is an important consideration for emerging markets.

04

05

The business environment with an evolving regulatory landscape and unclear government policies leads to uncertainty.

The ability to shift the mindset and deploy a business model that enables profitable growth is a key ingredient to be successful in emerging markets.

## Key questions that guide companies in emerging markets

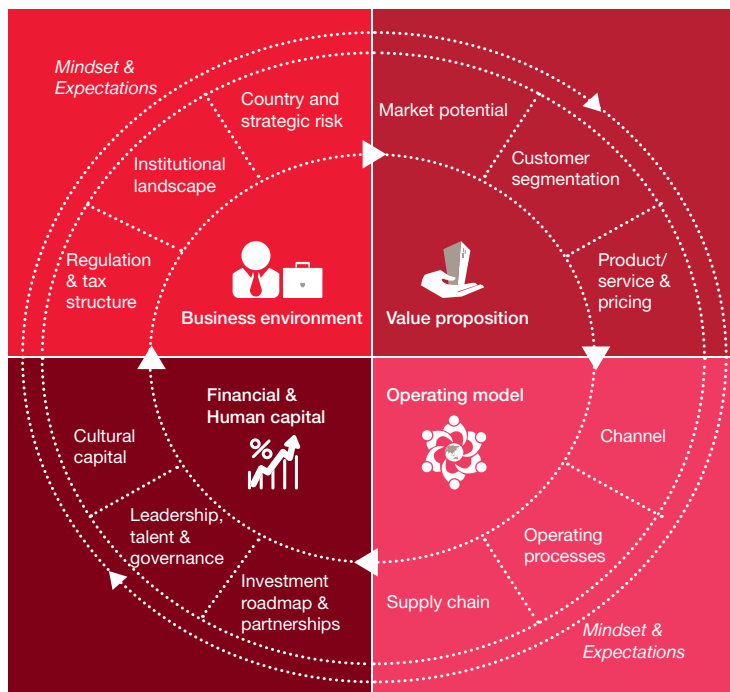
As you consider entry, growth or capability building in emerging markets like India, the following questions would merit close consideration:

- Do you understand the volume and value the market offers?
- Do you understand the market segments, needs and where the value resides?
- Do you have the necessary local partnerships in place?
- Do the price points align with value perception of customers?
- Is the operating model aligned to your cost structure?
- Do you have access to local credit and an effective talent pool?
- Do you understand the nature of local business relationships and cultural norms?
- Do you understand the local political and economic systems?
- Do you understand the local tax structure and regulatory environment?

Response to the above questions provides a clear view of a company's strategic and capability maturity from an emerging market stand point.

The EM CoE will develop this view further and clearly identify strategies and investments required to succeed.

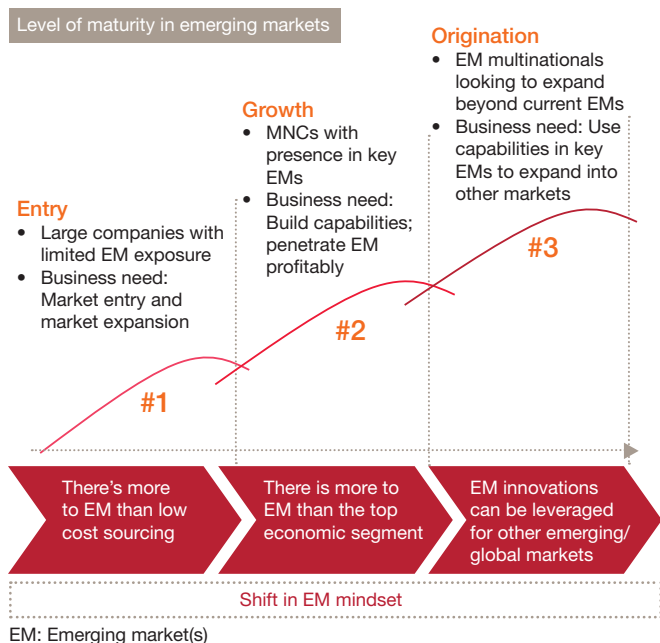
# Our emerging markets framework provides a comprehensive view to our clients as they enter and build their business in emerging markets



This framework can be adapted to other growth markets where global businesses are expanding their operations



## Companies at varying stages of maturity will use different elements of our framework to identify focus areas



## The EMCoE proposition is client centric and immersive

The Emerging Markets CoE has been designed to help the board room agenda of entry, growth and capability building in these markets.

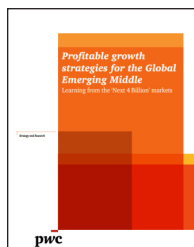
The CoE combines the consulting, deals, risk, tax and regulatory capabilities of PwC to help clients in their emerging markets journey. Our focus is on pragmatic advise and a long term partnership to help our clients succeed in emerging markets.

The solutions of the CoE help clients immerse themselves in an emerging market environment, which enables a change in mindset and approach to entry, growth and capability building in these markets.

## Case studies

Sector	Client	Engagement type	Description
Industrial products	Leading Swiss high-tech industrial group	India expansion strategy	10-year strategy to attain 4x revenue growth; leverage India as a hub for sales and services and best cost sourcing
Retail and consumer	UK based mid market apparel company	Partner search	Market assessment followed by a search and screen process to identify potential partners in India
Technology	Leading global satellite communications solutions provider	Market assessment	Detailed market assessment through a comprehensive understanding and filtering of applications in key end use industries
	Top 5 global software company	Channel strategy	Designed a client centric product/service solution portfolio and a partnering process to take them to market in India at an acceptable premium

## Thought leadership



### *Learning from the “Next 4 billion” market*

PwC Global report on strategies adopted by leaders with the ambition to grow profitably in the “Next 4 Billion” markets by focusing on the Global Emerging Middle (GEM). The report offers insights on how successful companies have navigated these markets by “developing new value propositions”, “creating innovative business models”, and “undergoing a shift in mindset”.



### *“Through the looking glass”, India focus*

The report looks at India’s highly fragmented consumer market and decodes the success stories of companies which are fulfilling new aspirations, solving long-standing problems, delivering superior service, or creating new market mechanisms to close the institutional gaps that are inherent in developing markets.

## Contacts

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